

TARIFF ACTION MEMORANDUM

To Commissioners:

Robert M. Pickett, Chairman
Stephen McAlpine
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

Date: December 23, 2020
Date Filed: December 1, 2020
30-Days Ends: December 31, 2020
Effective Date: January 1, 2021

From: Julie C. Vogler, Utility Financial Analyst

Subject: TL40-538- Alpine Transportation Company Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 5 filed on December 1, 2020, with an effective date of January 1, 2021. A side-by-side copy is attached as Schedule JCV-1.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Julie C. Vogler Title: Utility Financial Analyst
Julie C. Vogler

Commission decision regarding this recommendation:

	Date (if different from 12/23/20)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u>RMP</u>	_____	_____
McAlpine	_____	<u>SM</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	_____	<u>JW</u>	_____	_____

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction Letter Order.

M E M O R A N D U M

To: Robert M. Pickett, Chairman
Stephen McAlpine
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Date: December 23, 2020

From: Julie C. Vogler
Utility Financial Analyst

Subject: TL40-538- Alpine Transportation Company's Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 5 filed on December 1, 2020, with an effective date of January 1, 2021. A side-by-side copy is attached as Schedule JCV-1.

Background

Alpine Transportation Company (AlpineTC) operates the Alpine Pipeline which consists of a 14-inch diameter pipe that is approximately 34 miles in length. AlpineTC transports crude petroleum on the North Slope of Alaska from the Colville River Unit in the Alpine field to the interconnection with the Kuparuk Transportation Company pipeline system at Central Processing Facility No. 2 in the Kuparuk River Unit. AlpineTC also transports crude petroleum from the Brook's Range Southern Miluveach Unit to the interconnection with the Kuparuk Transportation Company pipeline system at Central Processing Facility No. 2 in the Kuparuk River Unit.

The Commission accepted a Settlement Agreement between the State of Alaska and AlpineTC,¹ which established the calculation of AlpineTC's rate from the Colville, Alaska Alpine Field to the interconnection point with the Kuparuk Pipeline at the Kuparuk River Unit. The parties agreed on a variable tariff methodology, referred to as the Alpine Settlement Methodology (ASM), to calculate rates on an annual basis.

¹ Order No. P-00-015(11), *Order Accepting Settlement Agreement; Vacating Suspension of Initial Rates; Requiring Filings of Yearly Rates; Waiving Submission of Supplemental Information Under 3 AAC 48.275(a)*, dated December 5, 2001. Staff will refer to this as Order 11 throughout the body of the memorandum.

The Commission granted an application filed by AlpineTC for a connection permit allowing the connection of Brooks Range Petroleum Corporation's (Brooks Range) Southern Miluveach crude oil sales pipeline to the AlpineTC pipeline; and approved a connection agreement between AlpineTC and Brooks Range, effective March 11, 2019.²

AlpineTC's Settlement Agreement specifies that AlpineTC is required to file revised interstate³ and intrastate rates by December 1 to be effective January 1 of each year. The rates may be no higher than the maximum rate calculated for each type of transportation, using the ASM.⁴ The Settlement Agreement also allows AlpineTC to adjust the maximum rate during the course of a year to reflect new or additional data that results in at least a 10 percent increase or decrease to the maximum rate for that year.⁵

Filing

On December 1, 2020, AlpineTC filed TL40-538, proposing to increase the rate for intrastate transportation of petroleum from the Colville, Alaska Alpine Field to the Kuparuk River Unit, from \$1.10 per barrel (bbl) to \$1.22 per bbl, and from the Brooks Range Southern Miluveach Unit to the Kuparuk River Unit, from \$0.32 per bbl to \$0.36 per bbl, effective January 1, 2021. AlpineTC asserted the increase in rates is primarily due to the projected 2021 throughput being lower than the throughput underlying AlpineTC's existing rates, which results in an increase to rates to recover the projected 2021 revenue requirement. In addition, the projected cost of service for 2021 is expected to be lower than the cost of service underlying AlpineTC's existing rates. The net effect of the decrease in throughput and the decrease in the cost of service is an increase to rates.⁶

AlpineTC is required to provide its preliminary rate calculation to the State of Alaska 60 days prior to filing the revised rates so the parties can seek to resolve any questions or disputes regarding the rates calculated under the ASM prior to the annual filing of the revised rates.⁷ AlpineTC provided the preliminary rate calculations to the State

²Order No. P-18-020(2)/P-18-021(2), *Order Granting Connection Permit, Approving Connection Agreement, and Requiring Filing*, dated March 1, 2019.

³ On December 1, 2020, Alpine TC filed the interstate transportation rates with the Federal Energy Regulatory Commission. See TL40-538 at 2.

⁴ See Section I-4(e) of the Settlement Agreement.

⁵ See Section I-4(f) of the Settlement Agreement.

⁶ TL40-538 at 1.

⁷ See Section I-5(a)(i) of the Settlement Agreement.

of Alaska on October 2, 2020.⁸ AlpineTC separately filed under confidential seal⁹ a computer disk and hard copy printout containing the rate schedules supporting AlpineTC's proposed rates.¹⁰ Although not required, on December 1, 2020, AlpineTC provided Staff the calculations under separate cover and Staff held them confidential pursuant to 3 AAC 48.040(b)(10).¹¹

Notice

The Commission publicly noticed TL40-538 on December 1, 2020, with a comment period ending December 22, 2020. The Commission received no comments or protests. In addition to the Commission's public notice, AlpineTC electronically notified the State of Alaska and AlpineTC's shippers.¹²

Analysis

Staff reviewed the components¹³ of the Settlement Agreement and the confidential excel schedules provided with TL40-538 and verified the rates were calculated in accordance with the ASM. Under the ASM, the total cost of service is calculated as follows: ((Operating Expenses + DR&R Allowance + Depreciation + Equity AFUDC Allowance + IDC Amortization + Return on Rate Base + Income Tax Allowance + Net Carryover)¹⁴ – Rental Credit)).¹⁵ The total cost of service is allocated to each rate class (Brooks Range Unit to the Kuparuk River Unit and the Colville Unit to the Kuparuk River

⁸ TL40-538 at 2.

⁹ Section I-5 of the Settlement Agreement provides that the rate calculations are confidential and Order No.11 requires AlpineTC to file the rate calculations on a disk, along with a hard-copy printout.

¹⁰ TL40-538 at 2.

¹¹ 3 AAC 48.040 Confidential Records.

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding

¹² TL64-307 at 2.

¹³ See Sections II-5, II-6, II-8, II-9, II-11(c) and (e), and II-14, Exhibit B, Exhibit C, Exhibit D, and Exhibit E of the Settlement Agreement.

¹⁴ The net carry over is a mechanism embedded in the rate model to ensure that over time AlpineTC recovers its exact revenue requirements. If there is an over collection in a given year, the following year's rate is reduced by the revenue surplus (plus interest). However, in years of under collection, the following year's rate is increased by the revenue shortfall (plus interest). This mechanism ensures that over time, the pipeline carrier collects its exact revenue requirements. See Section II-13 of the Settlement Agreement.

¹⁵ See Section II-3(a) of the Settlement Agreement.

Unit) using barrel miles.¹⁶ The maximum rate for the Brooks Range Unit is calculated by dividing the allocated cost of service by the projected throughput volumes and the maximum rate for the Colville Unit is calculated by dividing the allocated cost of service by the projected throughput volumes.¹⁷

Staff also reviewed the model and verified AlpineTC's assertion that the net effect of the decrease in throughput and the decrease in the cost of service results in the increase to rates. Staff has not recalculated the model's computations, but rather accepts that the ASM model accepted by the Commission in Order 11 functions as designed. Staff notes that it was not able to independently verify the individual cost components or throughput volumes of the rate calculations because calculations are derived from company estimates, to which Staff does not have access. Therefore, Staff is relying on the settling parties to protest the proposed rate by filing comments during the public notice period if they believe the proposed rates violate the ASM.

Conclusion


Staff's review of TL40-538 indicates that AlpineTC's proposed rate revisions, as calculated, are less than or equal to the maximum allowable rate in accordance with the Settlement Agreement, and therefore, Staff recommends the Commission approve Tariff Sheet No. 5, filed with TL40-538 on December 1, 2020, effective January 1, 2021.

Signature: 
Email: bob.pickett@alaska.gov

Signature: 
Stephen McAlpine (Dec 23, 2020 12:23 AKST)
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Antony Scott (Dec 23, 2020 12:43 AKST)
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Jan Wilson (Dec 23, 2020 15:14 AKST)
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¹⁶ See Section II-1(b) of the Settlement Agreement.

¹⁷ See Section II-1(c) and (d) of the Settlement Agreement.

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STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

RCA No. 538 21st Revision
Cancelling
20th Revision

Sheet No. 5
Sheet No. 5

Alpine Transportation Company			
FROM	TO	RATE	
Colville Alaska Alpine Field	Kuparuk River Unit	\$1.10/bbl	I
Brooks Range Southern Miluveach Unit	Kuparuk River Unit	\$0.32/bbl	I
Tariff Advice No. TL39-538 Effective January 1, 2020			

Issued By: Alpine Transportation Company

By: /s/ Frank Feghali Title: Vice President of Managing Partner
Frank Feghali Alpine Pipeline Company

TARIFF SECTION
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DEC 01
2020
RCA

RCA No. 538 22nd Revision
Cancelling
21st Revision

Sheet No. 5
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Alpine Transportation Company			
FROM	TO	RATE	
Colville Alaska Alpine Field	Kuparuk River Unit	\$1.22/bbl	I
Brooks Range Southern Miluveach Unit	Kuparuk River Unit	\$0.36/bbl	I
Tariff Advice No. TL40-538 Effective January 1, 2021			

Issued By: Alpine Transportation Company

By: /s/ Frank Feghali Title: Vice President of Managing Partner
Frank Feghali Alpine Pipeline Company

TL40-538
Schedule JCV-1